

Chapter 6 - Budgeting

INTRODUCTION

Budgeting is one of the key activities in any government. The Governor's Office produces recommended budgets that address the myriad needs of the people and businesses of the state. The applicable governing body reviews and modifies this budget, and approves the legal spending limits of the various organizational and programmatic entities within the government, including agencies, colleges, and universities. In turn, successful management of the various agencies often requires more detailed definitions of spending plans and responsibilities.

To support these requirements, R★STARS offers the following budgeting capabilities:

- **Appropriation Accounting** — encompassing the recording, controlling, and reporting of the appropriations passed by the Legislature, and any unexpended budget authorized to be carried into a new appropriation year. In addition, it provides for budgetary allotments to control quarterly or monthly spending.
- **Agency Budgeting** — allows the agencies to establish an internal operating budget to record, control, and report expenditures at levels different than the appropriation level. In addition, agencies can use allotments to control quarterly or monthly spending.
- **Financial Plan Accounting** — allowing low level budgetary planning which may be monitored by agencies but which does not control spending.
- **Revenue Budgeting** — providing the above three levels of recording and reporting functions for revenues but without the controlling features.

Each of these capabilities is discussed in later sections of this chapter. An overview of the budgetary process is presented in the first section of this chapter.

Multi-year project budgeting and grant budgeting are also features of the R★STARS system. These capabilities are discussed in Chapter 12 and Chapter 13.

Section	Page
6.1 Budgeting Overview	6.1-1
6.2 Appropriations	6.2-1
6.3 Agency Budgets	6.3-1
6.4 Financial Plans	6.4-1
6.5 Estimated Revenues and Revenue Plans	6.5-1

6.1 BUDGETING OVERVIEW

The process of entering the budget data into R★STARS is described below followed by a brief discussion of the four steps involved.

Profile Maintenance

The first step of the budgeting process is profile maintenance. This involves changing various R★STARS profiles to reflect revisions in classification structure, appropriations, and control levels. The profiles which may need to be modified are:

- **Descriptive Profiles**— for changes in the classification structure codes, such as new, revised, or deleted organization, program, or object structures.
- **Agency Control Profile**— for changes in the default codes, for indicating spending authority for encumbrances and pre-encumbrances, and for controlling agency budget by organization and program.
- **Fund Profile** — for changing fund level indicators for appropriations and agency budgets.
- **Appropriation Number Profile** — for changes in the appropriations, such as changes to the control levels, adding new appropriations, or deleting obsolete appropriations.
- **Program Cost Account (PCA) Profile** — for new, changed, or deleted program structures and function structures or for changing the agency budget program level and function level.
- **Index Code Profile** — for adding new index codes, changing the agency budget organization level or deleting obsolete index codes.

The maintenance of these profiles should be performed in the order in which they are described above.

Financial Data Entry

After profile maintenance has been completed, the budgets can be entered into R★STARS. The appropriation budgets are usually loaded first. If an automated system is used to prepare the appropriation budget, the transactions enter R★STARS through the standard interface process. Otherwise, the appropriations are entered manually using the Financial Data Entry process. Additional information about this process is given in Section 6-2, Appropriations. Allotments of appropriations can be recorded and controlled on a monthly or quarterly basis.

Agency budgets can also be entered at this point. Agency budget transactions must be entered separately from appropriation transactions. In either case, allotments of agency budgets can be recorded on a quarterly or monthly basis. Additional information is given in Section 6-3, Agency Budgets.

Financial plans can be entered for virtually any level of detail in the classification structure. Multiple financial plans for an organization may be recorded. Classification structure components such as grant and project, which are not available for appropriation and agency budget control, can be used as detail levels of the financial plan. Finally, statistical units may also be budgeted as part of the financial plan. A single transaction to simultaneously record both financial plans and appropriations or agency budgets must be used. Financial plans are more detailed versions of the appropriations or agency budgets. Additional information on this subject is given in Section 6-4, Financial Plans.

Estimated revenues and revenue plans can be recorded at levels corresponding to appropriations, agency budgets, and financial plans or at any other required level. Control is not exercised over the recording of actual revenue at any of these levels; that is, a transaction will not be rejected or flagged if the revenue amount exceeds the estimated revenue. Estimated revenue and revenue plan transactions are further explained in Section 6-5.

Budgetary Revisions

R★STARS allows for the entry, tracking, and reporting of revisions to original appropriations and reappropriations of prior year balances. These revisions are tracked separately from the original appropriations. Separate transaction codes are used to enter these activities. Revisions to allotments, agency budgets, financial plans, revenue budgets, and revenue plans may also be recorded as required.

Appropriation Transfers

At year end, unencumbered appropriation balances may be rolled forward and recorded as appropriation transfers-in for the new year Unexpended Balance (UB) Authority. The R★STARS year-end closing routines automate this process. Appropriations which are not approved by the legislative authority to roll forward may be lapsed in the old year by posting financial transactions to reduce the unencumbered balance. The 20 Appropriation Number Profile Unexpended Budget Indicator controls this process.

Depending on the appropriation award, balances can be either carried forward automatically or manually. If the authorization to carry forward an appropriation balance needs to be approved by the administration and legislature, an approval process is used before the year end close. Once the carry forward has been approved, a transaction needs to be posted to record the authorization for the approved amount in the new year. However, if legislation authorizes an appropriation to carry forward a balance, a transaction will be automatically posted to record this authorization in the new year.

6.2 APPROPRIATIONS

The primary objective of appropriation accounting is to ensure that expenditures and obligations incurred stay within the legal limitations contained in the authorizing legislation. Currently, expenditures are controlled by appropriation and either appropriated fund or fund. R★STARS is designed to provide the flexibility for changes in the way appropriations are awarded and controlled. This section describes all ways that appropriations could be controlled. Appropriations may also be awarded for capital projects. This level of appropriation accounting allows sufficient flexibility in day-to-day operations while still controlling the overall expenditures for the approved activities.

This section describes the process of establishing, recording, and controlling appropriations in R★STARS. It contains the following sections:

- Establishing Appropriations
- Establishing Appropriation Levels
- Establishing Appropriation Controls
- Controlling Encumbrances and Expenditures
- Encumbrance Basis Budget Calculation
- Monitoring Pre-Encumbrances
- Establishing and Controlling Appropriation Allotments
- Recording Reappropriations
- Entering Appropriations

| Most of the areas are maintained by the Office of the State Budget and the Office of Financial Management, and the agencies have access to these areas.

Establishing Appropriations

Appropriations in R★STARS are identified and at a minimum controlled by appropriation and appropriation year. An appropriation is an organization/program entity for which expenditures are authorized. The appropriation may be at the appropriation level itself or it may be further defined within appropriation by program, organization and object levels. This allows the user to record and control appropriations in many ways, including:

- Any level of the organizational structure, such as agency or lower organization levels.
- A combination of organizational and programmatic structures, such as organization level 2 and program level 3.
- Multiple levels of object within the organizational/programmatic structures, such as Comptroller object within organization level 4 or Comptroller object within organization and program level 2.

To adhere to the accounting requirement for separation of funds, appropriated funds or funds are always a part of the appropriation definition. An appropriation may be funded by any combination of appropriated funds.

Establishing Appropriation Levels

Appropriations may be awarded at varying levels of the fund, organization, program and object structures. Indicators in system profiles provide flexibility in establishing appropriation levels. The chart shown below describes each of the level indicators in the R★STARS profiles. These indicators must be set prior to recording appropriations in the system.

SYSTEM PROFILE	INDICATOR	DESCRIPTION
Appropriation Number	Object Level	Determines the level of the Object structure at which appropriation control is applied. This object level is applied to the entire appropriation.
Appropriation Number	Organization Level	Determines the level of the organization structure (up to nine levels can be defined) at which appropriation control is applied.
Appropriation Number	Program Level	Determines the level of the program structure (up to nine levels can be defined) at which appropriation control is applied.
Appropriation Number	Allotment Selection	Determines whether the appropriation will be allotted and if so whether it will be monthly or quarterly.
Fund	Fund Level	Determines the level of the fund structure (Appropriated Fund or Fund) at which appropriation control is applied.

The appropriation levels described above control the posting of financial transactions to the Appropriation Financial table.

Details on the use of the budgetary entry screen and the related transaction codes are given in Chapter 7 of the R★STARS Data Entry Guide.

Establishing Appropriation Controls

Appropriations in R★STARS are controlled at varying levels of the fund, organization, program and object structures. The levels at which appropriations are controlled are established in the profiles presented below. In addition, indicators in system profiles provide flexibility in establishing appropriation control. The chart shown below describes each of the indicators in the R★STARS profiles, which determine appropriation control. These indicators must be set prior to recording appropriations in the system.

SYSTEM PROFILE	INDICATOR	DESCRIPTION
Appropriation Number	Appropriation Control Type	Determines the type of control exercised over the total appropriation. The appropriation control type can be established for cash, accruals and encumbrances.
Appropriation Number	Appropriation Allotment Control Type	Determines the type of control exercised over the appropriation allotment, if appropriation allotment edits are performed. The appropriation allotment control type can be established for cash and accruals.

Controlling Encumbrances and Expenditures

Encumbrance, accrued expenditure, and cash expenditure transactions can be monitored to ensure that expenditures and obligations do not exceed authorized levels. The appropriation control type indicator can be defined as fatal, warning, or ignore. When fatal control is specified in the 20 Appropriation Number Profile, a transaction will not post if the transaction amount will cause the appropriation to be exceeded. If warning control is defined, the transactions will post but a warning message is displayed on the screen for on-line edit and posting. This warning message is also printed on the DAFR2151 R★STARS Error Report.

For appropriations defined with no appropriation control (ignore), encumbrances and expenditures will post without regard to the available appropriation balance, if any, and no messages will be generated. The exhibit on 6.2-7 illustrates the steps involved in cash appropriation control. The example could also be used to show control over accrued expenditures and encumbrances.

Encumbrance Basis Budget Calculation

The 62 Appropriation Financial Inquiry screen includes a calculation of an agency's Encumbrance Basis Budget balance. In MAIN FACS, Balance Type 21 (Cash Transfers Out) does NOT affect Encumbrance Basis Budget. The following is the balance type (BT) used to calculate the Encumbrance Basis Budget balance:

ENC BASIS BUD (Encumbrance Basis Budget remaining) is calculated using the following BT (screen 62):

+	01	APPROPRIATION ORIGINAL BUDGET
+	02	APPROPRIATION REVISIONS
-	03	APPROPRIATION TRANSFERS OUT
+	04	APPROPRIATION TRANSFERS IN
+	06	PRIOR YEAR APPROPRIATION
-	07	SPEND CLOSE
-	08	LAPSE
+	13	EXCESS COLLECTED REVENUE – POSTED
-	15	CASH EXPENDITURES
-	16	CASH RESERVED FOR PAYROLL
-	17	ACCRUED EXPENDITURE
-	18	ENCUMBRANCES OUTSTANDING

Monitoring Pre-Encumbrances

Pre-encumbrances may be recorded in the system when purchase requisitions are completed. Pre-encumbrances represent the intent to purchase and, as such, do not represent a legal obligation or liability. Therefore, pre-encumbrance transactions are not controlled against available appropriation balances. Instead they are recorded as memo amounts in the Appropriation Financial table for monitoring purposes.

Pre-encumbrances *may* reduce an agency budget balance, depending on the pre-encumbrance indicator value on the 25 Agency Control Profile.

Establishing and Controlling Appropriation Allotments

Appropriations can be allotted on a monthly or quarterly basis in R★STARS. The appropriation allotment selection indicator on the 20 Appropriation Number Profile determines if an appropriation will be allotted on a monthly or quarterly basis. In addition, the appropriation allotment control indicator can be defined as “fatal,” “warning,” “ignore,” or “none.” When fatal control is specified in the 20 Appropriation Number Profile, a transaction will not post if the

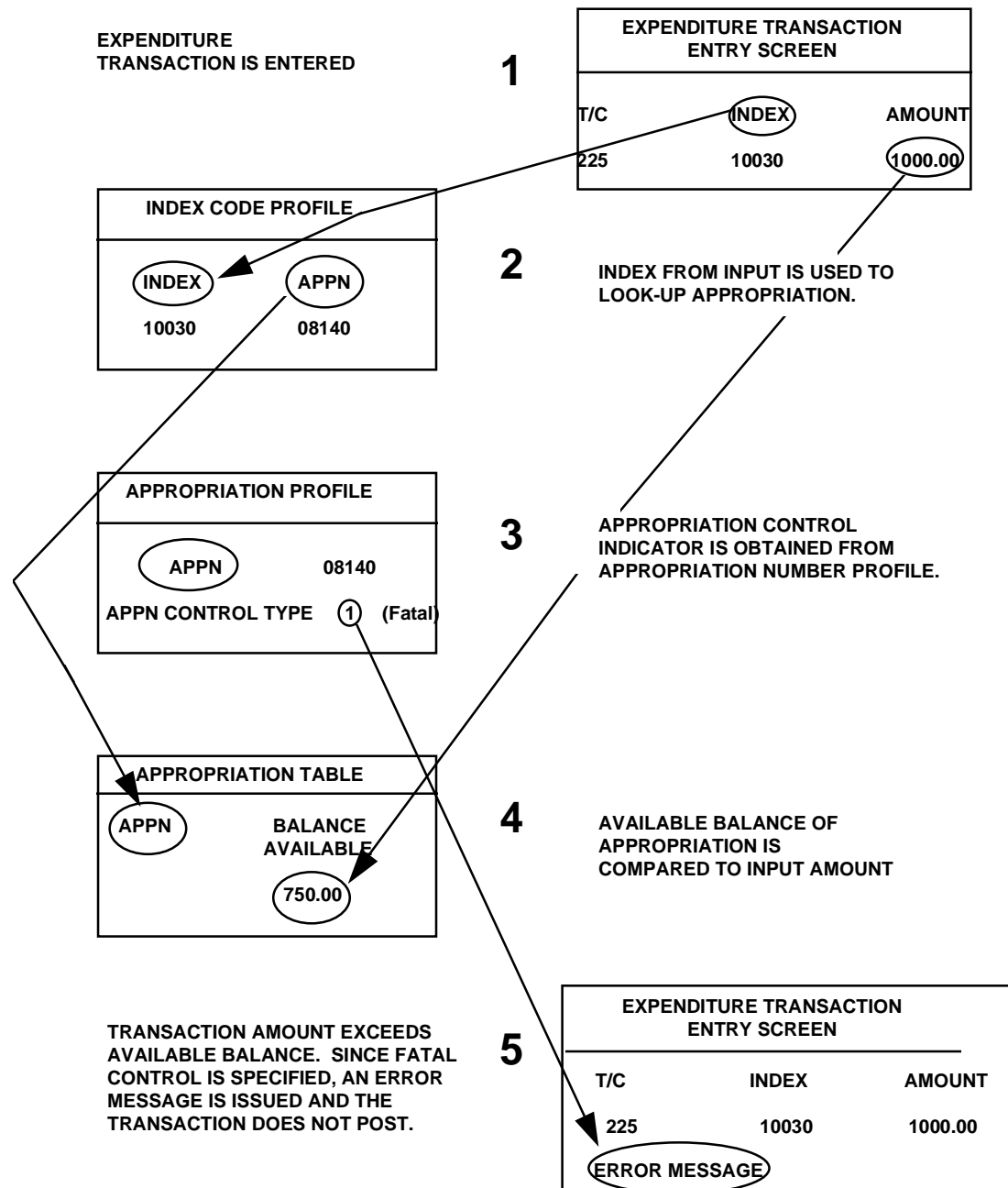
transaction amount will cause the appropriation allotment to be exceeded. If warning control is defined, the transactions will post but a warning message is displayed on the screen for on-line edit and posting. This warning message is also printed on the DAFR2151 R★STARS Error Report. For appropriation allotments defined with no allotment control (ignore), encumbrances and expenditures will post without regard to the available appropriation allotment balance, if any, and no messages will be generated. Appropriation allotment control is established by the Appropriation Allotment Control Type Indicator on the 20 Appropriation Number Profile.

Appropriations that are not budgeted should not have allotment controls that are set to “fatal.” Enterprise, Internal Service, and Trust & Agency fund appropriations fall into this category. If the appropriation control type for cash accrued and encumbered is set to zero and the budget type is “N,” then allotment control should be set to zero.

For an unbudgeted fund, if the allotment edit indicator control type is set to “1,” the payment transactions will fail, and they will appear on the DAFR3630 Fund Control Errors Occurring During Payment Processing Report.

Recording Reappropriations

At the end of the fiscal year, most appropriations lapse; that is, the unencumbered remaining balances are not available for spending in the new fiscal year. However, legislating bodies allow capital project appropriations to continue until completed. In addition, some appropriations’ unexpended balances can be carried forward into the new year for spending. These appropriations must have legislation authorizing this. A transaction will be posted in the new year to record appropriations that are authorized for expenditures in the new year. These transactions will be recorded against a balance type in the Appropriation Financial Table.

APPROPRIATION CONTROL

Entering Appropriations

If an automated subsystem is being used for budget preparation, appropriation transactions enter R★STARS through the standard automated interface process. If the budget is prepared manually, the information is entered into R★STARS through the Budgetary Transaction Entry screen. In either case, the same transaction codes are used and the same input data are required.

Future year budgetary transactions may be posted prior to the start of the year. For example, original appropriations and agency budgets can be recorded for fiscal year 1994-95 in fiscal year 1993-94. This allows appropriations and agency budgets to be in place, and allows R★STARS to control cash expenditures, accruals and encumbrances on the first day of the new fiscal year.

Appropriations do not remain static throughout a budget year. To accommodate changes, increase and decrease transaction codes exist in R★STARS. Appropriations can be revised as long as the appropriation year to which they belong is still open. R★STARS tracks original appropriations and revised appropriations separately.

| The chart shown on page 6.2-9 traces the input of an appropriation.

Recording the Accounting Impact

Original appropriations and appropriation increases are recorded in the General Ledger Financial table as follows:

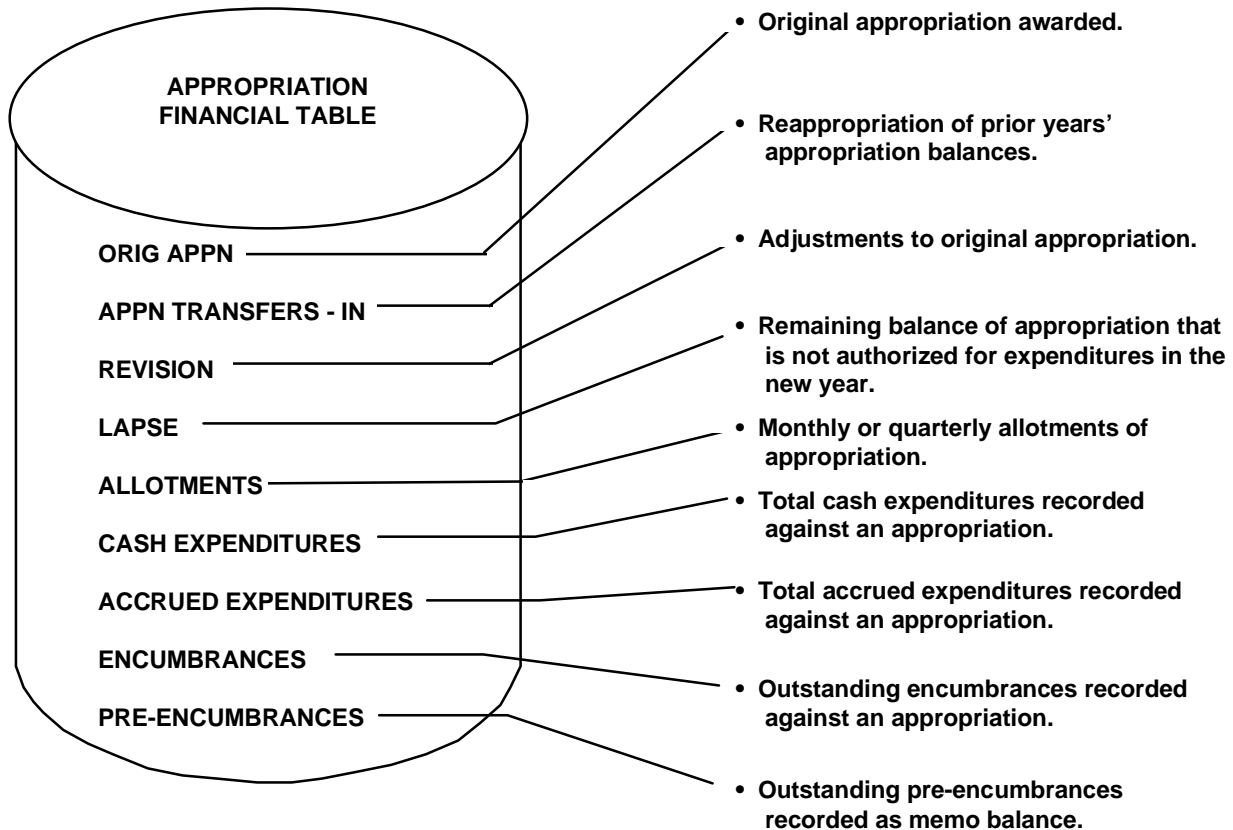
DR — Budgetary Fund Balance
CR — Appropriations Control

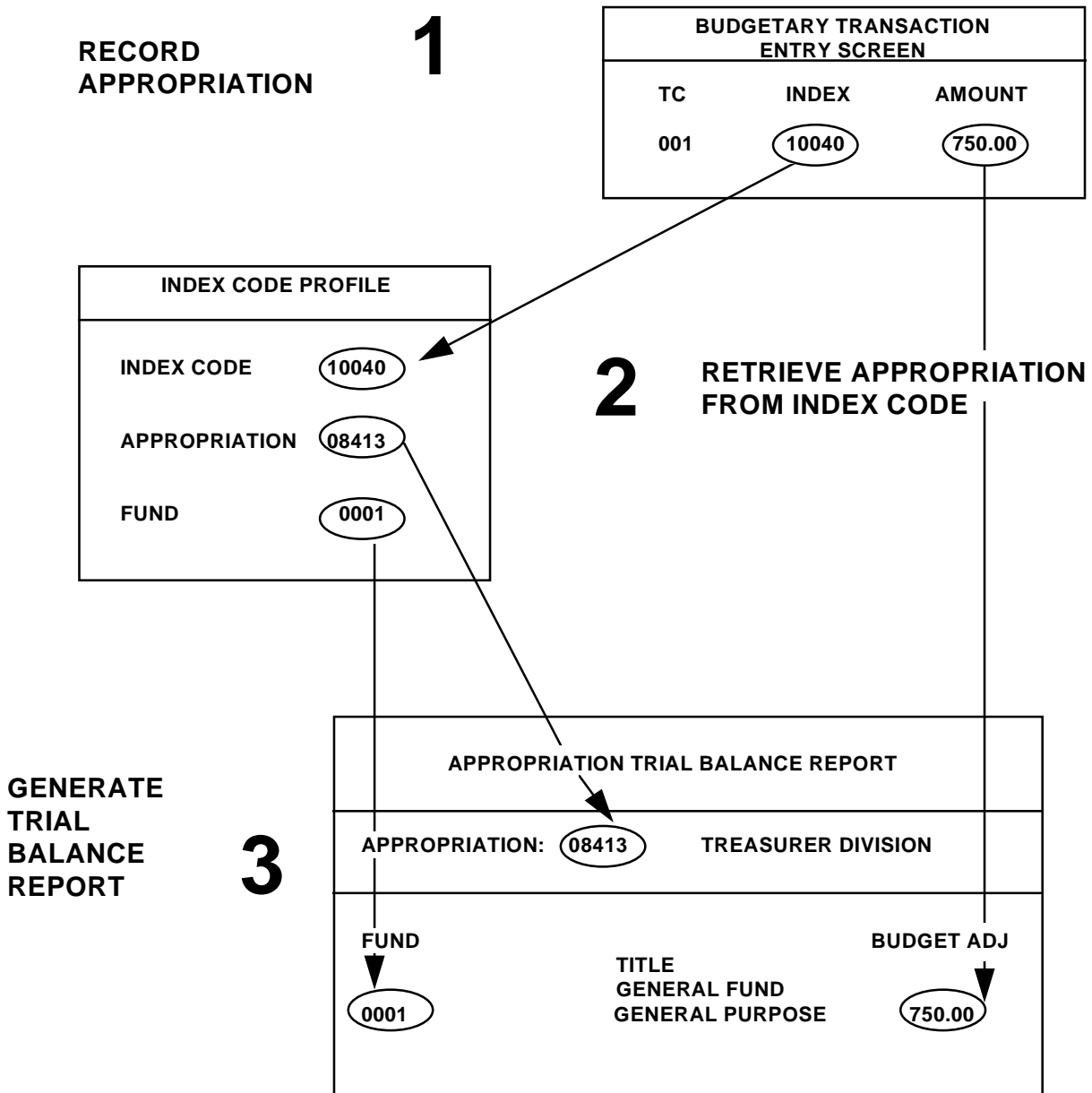
Appropriation decreases have the opposite affect as follows:

DR — Appropriations Control
CR — Budgetary Fund Balance

| Separate transaction codes are established for original appropriation, appropriation adjustment, appropriation transfer and appropriation allotment transactions. Appropriation transactions affect the Appropriation Financial table at the level of detail specified by the 20 Appropriation Number Profile. A description of the commonly used financial fields in the Appropriation Financial table is shown on the next page. Other financial fields may be defined for later use, as needed.

SAMPLE APPROPRIATION FINANCIAL TABLE FIELDS



**TRACING APPROPRIATION INPUT
TO THE APPROPRIATION TRIAL BALANCE REPORT**

6.3 AGENCY BUDGETS

The agency budget accounting capability of R★STARS provides a level of budgetary control different from appropriations. Agency budgets may be recorded and tracked using multiple levels of the organization, program, object, grant, project and/or fund structures. In addition, allotments of agency budgets can be entered quarterly or monthly for controlling and reporting purposes.

The total agency budget for an agency normally should not exceed the total appropriation amount available.

This section describes the process of establishing, recording and controlling agency budgets. It is organized as follows:

- Establishing Agency Budgets
- Establishing Agency Budget Levels
- Establishing Agency Budget Controls
- Controlling Encumbrances and Expenditures
- Monitoring Pre-Encumbrances
- Establishing and Controlling Agency Budget Allotments
- Entering Agency Budgets

Establishing Agency Budgets

After the annual appropriations have been approved, agency budgets are recorded. Agency budgets provide an additional safeguard against the over expenditure of funds. Agency budgets are generally at a lower level of detail in the classification structure than the appropriation budgets. R★STARS provides the ability to account for and control agency budgets on a programmatic, organizational, fund, function, grant, project and/or object basis. This allows the user to record and control agency budgets in many ways, including:

- Any level of the organizational structure, such as agency or lower organization levels.
- A combination of organizational and programmatic structures, such as organization level 3 and program level 2.
- Multiple levels of object within the organizational/programmatic structures, such as Comptroller object within organization level 3 or Comptroller object within organization and program level 2.

Establishing Agency Budget Levels

Agency budgets are established at varying levels of the organization, program, object, function, grant, project, and fund structures. Indicators in system profiles provide flexibility in establishing agency budget levels. The chart shown on the next page describes each of the level indicators in the R★STARS profiles. These indicators must be set prior to recording agency budgets in the system.

SYSTEM PROFILE	INDICATOR	DESCRIPTION
Appropriation Number	Object Level	Determines the level of the object structure at which agency budget control is applied.
Appropriation Number	Allotment Selection	Determines whether the agency budget will be allotted and if so whether it will be monthly or quarterly.
Agency Control	Organization	Determines whether the agency budget will be controlled at the organization level. If this indicator is set to "Y," index will be required on accounting transactions affecting agency budgets.
Agency Control	Program	Determines whether the agency budget will be controlled at the program level. If this indicator is set to "Y," PCA will be required on accounting transactions affecting agency budgets.
Agency Control	Pre-encumbrance	Determines whether pre-encumbrances are included in the fund control edits for agency budgets.
Agency Control	Encumbrance	Determines whether encumbrances are included in the fund control edits for agency budgets.
Program Cost Account	Program Level	Determines the level of the program structure (up to nine levels can be defined) at which agency budget control is applied.
Program Cost Account	Function Level	Determines the level of the function structure (up to nine levels can be defined) at which agency budget control is applied.
Index Code	Organization Level	Determines the level of the organization structure (up to nine levels can be defined) at which agency budget control is applied.
Project Number	Project Level	Determines if the agency budget will be maintained at the project level, project and phase level or without regard to project.
Grant Number	Grant Level	Determines if the agency budget will be maintained at the grant level, grant and phase level or without regard to grant.
Fund	Fund Level	Determines the level of the fund structure at which agency budget control is applied.

The agency budget levels described in the table control the posting of financial transactions to the Agency Budget Financial table.

Details on the use of the Budgetary Entry screen and the related transaction codes are given in Chapter 7 of the R★STARS Data Entry Guide.

Establishing Agency Budget Controls

Agency budgets in R★STARS are controlled at varying levels of the fund, organization, program, object, grant and project structures. The levels at which agency budgets are controlled are established in the profiles presented in the table below. In addition, indicators in system profiles provide flexibility in establishing agency budget control. The chart shown below describes each of the indicators in the R★STARS profiles, which determine agency budget control. These indicators must be set prior to recording agency budgets in the system.

SYSTEM PROFILE	INDICATOR	DESCRIPTION
Appropriation Number	Agency Budget Control Type	Determines the type of control exercised over the agency budget.
Appropriation Number	Agency Budget Allotment Control Type	Determines the type of control exercised over the agency budget allotment, if agency budget allotment edits are performed. The agency budget allotment control type can be established for cash, accruals and encumbrances.

Controlling Encumbrances and Expenditures

Encumbrance, accrued expenditure and cash expenditure transactions can be monitored to ensure that obligations and spending do not exceed agency budgeted amounts. The agency budget control type indicator can be defined as fatal, warning, or ignore. When fatal control is specified in the 20 Appropriation Number Profile, a transaction will not post if the amount causes the agency budget to be exceeded. If warning control is defined, the transactions will post, but a warning message will be displayed on the screen for on-line edit and posting. This warning message is also printed on the DAFR2151 R★STARS Error Report. Encumbrance amounts are included in the fund control edits for agency budgets when the encumbrance indicator in the 25 Agency Control Profile is set to "Y" (Yes).

For agency budgets defined with no agency budget control (ignore), encumbrances and expenditures will post without regard to the available agency budget balance, if any, and no messages will be generated. The exhibit on 6.3-6 illustrates the steps involved in agency budget

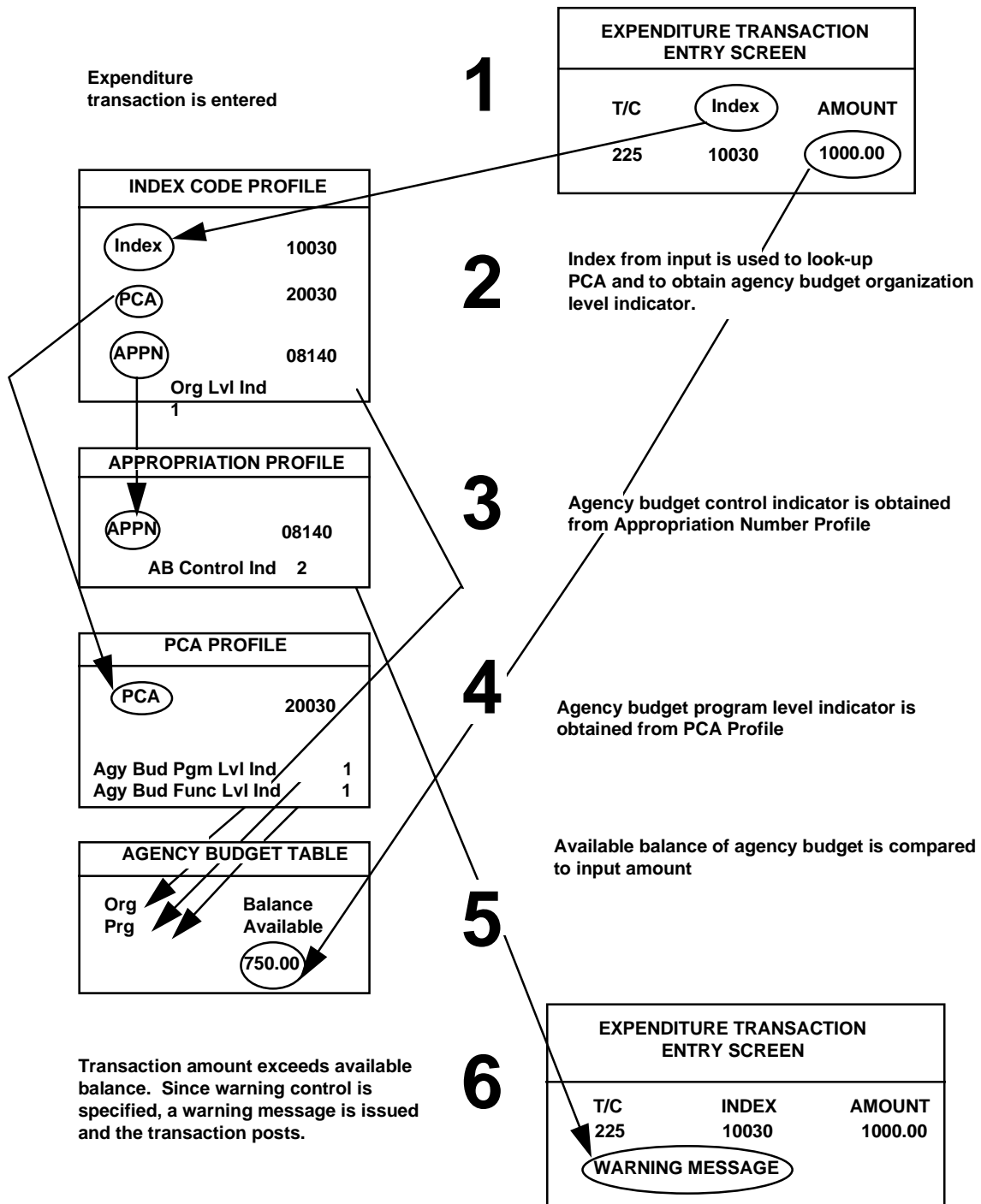
control. The example could also be used to show control over accrued expenditures and encumbrances.

Monitoring Pre-Encumbrances

Pre-encumbrances may be recorded in the system when purchase requisitions are completed. Pre-encumbrances represent the intent to purchase and, as such, do not represent a legal obligation or liability. Pre-encumbrances *may* reduce an agency budget balance, depending on the pre-encumbrance indicator value on the 25 Agency Control Profile. Pre-encumbrance amounts are included in the fund control edits for agency budgets when the pre-encumbrance indicator on the 25 Agency Control Profile is set to “Y” (Yes).

Establishing and Controlling Agency Budget Allotments

Agency budgets can be allotted on a monthly or quarterly basis in R★STARS. The agency budget allotment selection indicator on the 20 Appropriation Number Profile determines if an agency budget will be allotted on a monthly or quarterly basis. In addition, the agency budget allotment control indicator can be defined as fatal, warning, or ignore. When fatal control is specified in the 20 Appropriation Number Profile, a transaction will not post if the transaction amount will cause the agency budget allotment to be exceeded. If warning control is defined, the transactions will post but a warning message is displayed on the screen for on-line edit and posting. This warning message is also printed on the DAFR2151 R★STARS Error Report. For agency budget allotments defined with no allotment control (ignore), encumbrances and expenditures will post without regard to the available agency budget allotment balance, if any, and no messages will be generated. Agency budget allotment control is established by the Agency Budget Allotment Control Type indicator on the 20 Appropriation Number Profile.

AGENCY BUDGET CONTROL

Entering Agency Budgets

Agency budgets are entered using the Budgetary Transaction Entry screen. The transaction code determines whether an original agency budget, agency budget revision or agency budget allotment is being entered. Increase and decrease transactions are also available to record adjustments.

Recording the Accounting Impact

Original agency budgets and agency budget increases are recorded in the General Ledger Financial table as follows:

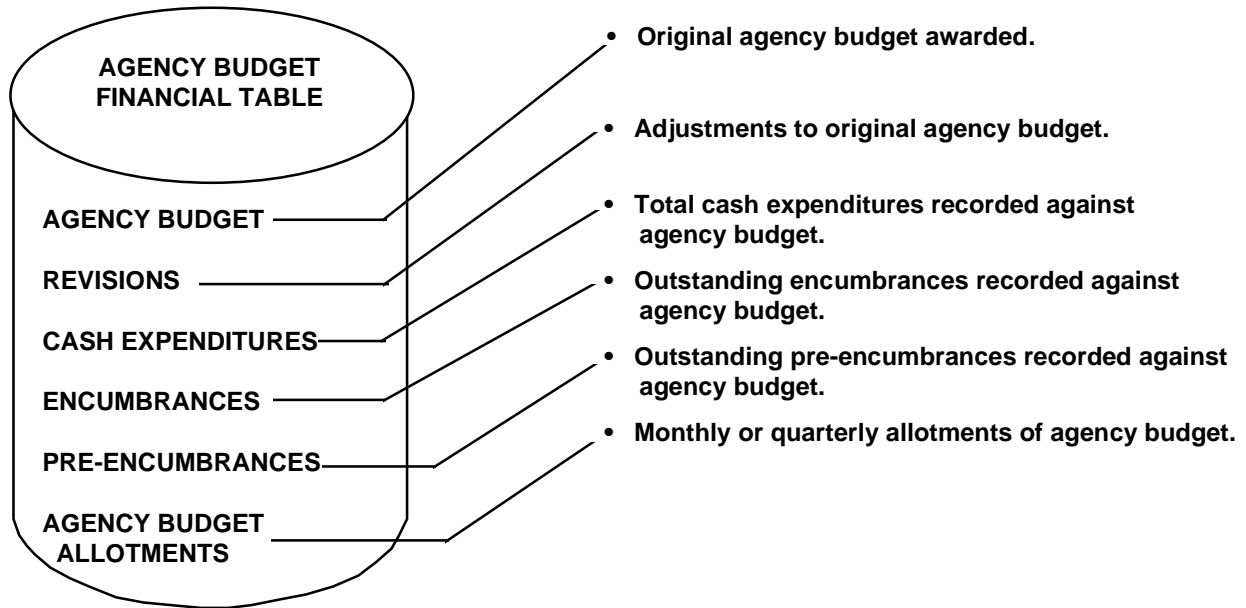
DR — Agency Budget Offset
CR — Agency Budget Control

Agency budget decreases have the opposite affect as follows:

DR — Agency Budget Control
CR — Agency Budget Offset

Separate transaction codes are established for original agency budgets, agency budget revisions and agency budget allotments. Agency budget transactions affect the Agency Budget Financial table at the level of detail specified in the Index, PCA, Appropriation Number, Project Number, Grant Number and Fund profiles. A description of the commonly used financial fields in the Agency Budget Financial table is shown on the following chart.

SAMPLE AGENCY BUDGET FINANCIAL TABLE FIELDS



6.4 FINANCIAL PLANS

R★STARS allows the recording of financial plans at low levels of detail to provide a useful management tool for the day-to-day monitoring of governmental activities. Financial plans can be recorded for expenditures and statistical units. However, no control is exercised over these plans. If an agency is controlling its expenditures by organization, the agency could enter its budgets at the object level. The object information would be used for variance analysis through reports while the expenditure control is at the organizational level. At the systemwide level, appropriations are controlled at the appropriated fund or fund level, yet the budget entries may be entered at a lower level for variance analysis. The transaction codes used to enter financial plans are the same as those used for systemwide appropriations budgets and agency budgets.

Financial plans are typically recorded by index code. The organizational structure is specified in the 24 Index Code Profile. Similarly, the program structure is defined by the program cost account derived from the index or input on the transaction. The object structure is at the object level and can optionally be further defined at the Comptroller object, agency object, or agency object group level. The fund level may be at the appropriated fund or fund level. Financial plans may also be recorded for any of the optional classification elements, including grant or project.

Plans may be recorded for various combinations of elements or for single structures. For example, a manager may wish to track a spending plan for the organization level 4 by object, or alternately by organization level 4 without regard to object. A program manager may wish to monitor a financial plan for the program structure without regard to agency, fund or object. Financial plans must, however, be at a lower level than recorded in the associated financial table.

This section describes how financial plans are entered into the system and how they are recorded in the system's profiles.

Entering Financial Plans

Financial plan transactions may be constructed to post appropriations or agency budgets simultaneously with the financial plans. The financial plans will be entered at a detail level and the appropriations or agency budgets will be summarized to the levels specified by the profiles. The transaction code used will determine how the data will be posted into R★STARS. Increase and decrease transactions are also used to adjust financial plan amounts.

6.5 ESTIMATED REVENUES AND REVENUE PLANS

R★STARS allows the recording of estimated revenues and revenue plans at levels corresponding to appropriations, agency budgets, and financial plans or at any other level in the classification structure.

Estimated revenues are normally identified as part of the annual budget as defined by the legislative authority. These budgets are at higher levels in the classification structure than revenue plans which are optional. Revenue plans are similar to financial plans; that is, they may be recorded against any of the classification structure elements.

This section describes the entering and posting of estimated revenue and revenue plans.

Entering Estimated Revenues and Revenue Plans

Estimated revenues may be entered in R★STARS through an automated interface or through the use of financial transaction entry. Revenue plans must be entered at the time of estimated revenues. The transaction code used determines how the budgets are recorded in R★STARS. Increase and decrease transactions are also available for adjusting estimated revenues and plans.